

Message Text

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ACTION SS-25

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FM AMEMBASSY QUITO

TO SECSTATE WASHDC IMMEDIATE 3173

C O N F I D E N T I A L QUITO 7446

EXDIS

FOR THE ACTING SECRETARY AND ASSISTANT SECRETARY ROGERS.

AID FOR DEPUTY ADMINISTRATOR MURPHY

E.O. 11652: GDS

TAGS: PFOR EC

SUBJECT: AID PHASE-OUT AND BILATERAL TALKS AT MFM

REF: A) QUITO 6989; B) QUITO 7166; C) QUITO 7300;
D) QUITO7436; E: QUITO 7429

1. UNDER THE INSTRUCTION FROM THE DEPARTMENT I INFORMED FONMIN LUCIO PAREDES OF THE PROPOSED AID PHASE-OUT IN ECUADOR ON OCTOBER 21 (REF A). ON OCTOBER 25, DURING MY CONSULTATIONS IN WASHINGTON, THE CHARGE AND AID MISSION DIRECTOR CALLED AGAIN ON THE FONMIN TO RESTATE THE PRESENTATION IN GREATER DETAIL AND TO LEAVE AN AIDE MEMOIRE ON THE SUBJECT (REF B). ON OCTOBER 30, THE CHARGE AND MISSION DIRECTOR MADE A SIMILAR PRESENTATION TO THE FINANCE MINISTER (REF C). SUBSEQUENTLY, THE AID MISSION DIRECTOR HAS DISCUSSED THE PHASE-OUT WITH THE THREE PRINCIPAL MINISTERS WITH WHOM AID WORKS: HEALTH, EDUCATION AND AGRICULTURE (REF D).

2. AID MISSION DIRECTOR CODY ON NOVEMBER 4 INDIRECTLY RECEIVED THE REACTION OF PRESIDENT RODRIGUEZ TO THE AID PHASE-OUT (REF E). HIS SOURCE IS CLOSE TO THE PRESIDENT AND VERY RELIABLE. ALTHOUGH PRESIDENT RODRIGUEZ APPARENTLY HAD SUSPECTED SOME CHANGE IN THE AID RELATIONS, CONFIDENTIAL

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HE REPORTEDLY FINDS IT VERY DIFFICULT TO ACCEPT WHAT COULD

BE CONSIDERED AN ULTIMATUM AND THEREFORE WOULD FIND IT DIFFICULT IF NOT IMPOSSIBLE TO ENTER INTO NEGOTIATIONS FOR THE SECOND PHASE OF THE PHASE-OUT, THAT IS TECHNICAL ASSISTANCE ON A LOAN BASIS, WITHOUT WAITING A LONGER PERIOD TO GIVE THE APPEARANCE OF MORE EXTENDED BILATERAL NEGOTIATIONS.

3. AS I HAD ADVISED THE DEPARTMENT PREVIOUSLY AND AS YOU WILL APPRECIATE, THIS SITUATION HAS THE POTENTIAL FOR AFFECTING ADVERSELY OUR BILATERAL RELATIONS. I STRONGLY SUSPECT THAT FOREIGN MINISTER LUCIO PAREDES WILL BRING THE MATTER UP IN BILATERAL DISCUSSIONS WITH THE DEPUTY SECRETARY DURING THE COURSE OF THE OAS MFM IN THE NEXT FEW DAYS. IN PREPARATION FOR THAT, I RECOMMEND THE DEPARTMENT AND AID/W GIVE CONSIDERATION TO PROVIDING GRANT FUNDS FOR FY 1975 AS PLANNED AND IN ADDITION PROVIDING GRANT FUNDING FROM FY 76 FUNDS FOR THE FIRST HALF OF CY 76. FY 76 FUNDS WOULD THEN BE REQUIRED TO OBLIGATE THE LOAN THAT WOULD PROVIDE FUNDING FOR THE SECOND HALF OF CY 76 AND ALL OF CY 77. FOLLOWING THAT PERIOD WE WOULD MOVE TO THE REIMBURSABLE BASIS.

4. THIS WOULD HAVE THE EFFECT OF EXTENDING GRANT FUNDING BY ONE HALF YEAR MORE THAN INITIALLY ANTICIPATED AND THE PHASE OVER PERIOD TO REIMBURSABLE TECHNICAL ASSISTANCE BY SIX MONTHS AS WELL. I RECOGNIZE THAT TO FOLLOW THIS PROCEDURE AID/W MUST GO TO CONGRESS FOR BOTH GRANT AND LOAN FUNDS IN FY 1976. GIVEN THE CIRCUMSTANCES HERE, HOWEVER, IT IS WORTH CONSIDERING.
BREWSTER

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